

Key Enablers for Effective Management

- People
- Process
- Technology
- Environment

Environment includes both physical facilities and organization culture

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People: The Most Significant Organizational Asset

In knowledge-based organizations, people:

- define an agency's character
- drive its capacity to perform
- often constitute largest budgetary expense

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An Enabler of Cultural Transformation

- Effective strategic human capital management approaches serve as the foundation of any serious change management initiative
- Successful human capital approaches enable an agency to become **LESS** hierarchical, process-oriented, stovepiped, and inwardly focused; and **MORE** flat, results-oriented, integrated, and externally focused

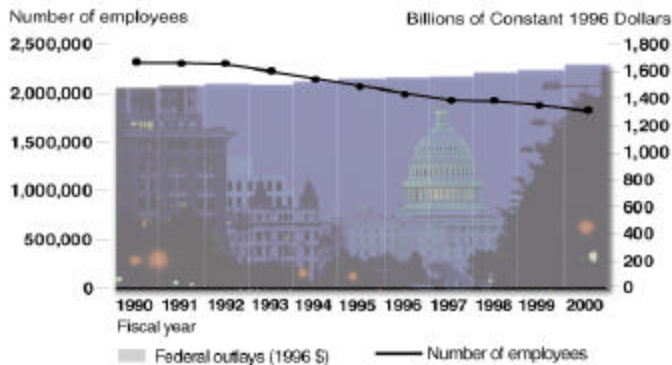
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Impact of Budgetary Cuts, Downsizing, and Outsourcing

- Lack of strategic alignment
- Skills imbalances
- Workload imbalances for remaining skilled workers
- Succession planning challenges
- Inadequate accountability for performance
- Outdated performance appraisal systems
- Reduced investments in people (e.g. training, facilities improvements, and enabling technology)

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Federal Government: Doing More with Fewer People



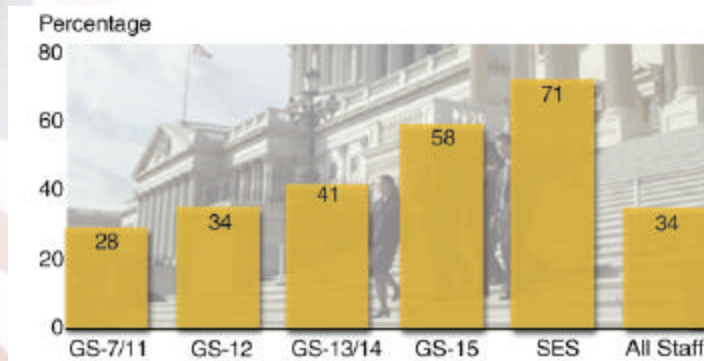
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Federal Permanent Hires FY 1990-FY1999



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Federal Retirement Eligibility Rates FY 1999 - FY 2005



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Federal Management Reforms of the 1990's



- Financial Management
- Information Technology Management
- Results-Oriented Management
- A consensus has yet to emerge on strategic human capital management and comprehensive civil service reform.

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Efforts are Beginning to Build Momentum for Change

- GAO designated government-wide high-risk area
- President's management agenda
- OMB "stop light" scorecard
- OPM human capital balanced scorecard
- Legislative reforms

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A Model of Strategic Human Capital Management

- A model of leadership and cultural transformation
- Assesses the extent to which the agency strategically manages human capital
- Determines the extent to which human capital considerations are integrated into strategic planning and daily decisionmaking
- Highlights the importance of a sustained commitment by agency leadership and raises the bar for human capital executives and their teams

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A New HC Tool for Agency Leaders

- Defines critical success factors for strategically managing HC
- Identifies stages through which agencies progress as they increasingly manage human capital strategically
- Critical success factors and stages of development should not be considered in isolation from one another

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Three Levels

- | | |
|---------|--|
| Level 1 | An agency is unlikely to have effectively put these principles into practice |
| Level 2 | An agency is clearly taking steps to apply them |
| Level 3 | An agency has made these principles an integral part of its approach to doing business, and can see demonstrable results from having done so |

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Targeted Investments in People

- Human capital expenditures are regarded as investments in people and the agency's capacity to perform its mission
- Strategies for investing in human capital are based on identified program needs
- The efficiency and effectiveness of the investments is continuously monitored and evaluated

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Human Capital Approaches Tailored to Meet Organizational Needs

- Managers are identifying and using tools available under current law to modernize their human capital approaches
- Human capital approaches are tailored to meet specific mission needs
- A compelling, data-driven business case is made for additional legislative flexibilities

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Targeted Investments Fundamentals

- First, the approach should help attract, develop, retain, and deploy the best talent and then elicit the best performance for mission accomplishment
- Second, the approaches should have clearly defined, well-documented, transparent, and consistently applied criteria for making these investments
- Third, decisions regarding these investments should be based largely on the expected improvement in agency results

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Next Steps: Responding to the Challenge

- Agencies must use all appropriate flexibilities available under current law while pursuing results-based people management.
- Once shortcomings of existing flexibilities are realized, agencies should pursue additional, selective legislative opportunities for new strategic human capital management tools.
- All interested parties should work towards more comprehensive civil service reform.

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Contacting GAO

A Model of Strategic Human Capital Management
(March 15, 2002, GAO-02-373SP)
www.gao.gov

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